

AITKEN CAMPBELL & COMPANY LIMITED

Report and Financial Statements

31 December 2001



AITKEN CAMPBELL & COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

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AITKEN CAMPBELL & COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R A Bays
J D H Duvar
A C McSporran
G W Cossey

SECRETARY

E Niklas

REGISTERED OFFICE

Abbey House
2nd Floor
10 Bothwell Street
Glasgow
G2 6NT

BANKERS

The Royal Bank of Scotland plc
Corporate Banking
Waterhouse Square
138-142 Holborn
London EC1N 2TH

The Toronto-Dominion Bank
Triton Court
14/18 Finsbury Square
London EC2A 1DB

AUDITORS

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London
SE1 9SY

AITKEN CAMPBELL & COMPANY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES AND REVIEW OF THE PERIOD

There was no significant change during the year in the principal activities of the Company which consisted of market making and order book trading in UK equities and new issues. The directors expect the present activity to be sustained for the foreseeable future. The Company is regulated by the Financial Services Authority and is a member of the London Stock Exchange.

RESULTS AND DIVIDENDS

During the year, the Company made a profit after taxation of £1,560,000 (2000: £3,046,000).

The directors do not recommend the payment of a final dividend (2000: £ nil). An interim dividend of £8,078,000 was paid on 26 January and £300,000 on 10 May 2001 (2000: £nil).

As a member firm of The London Stock Exchange at 1 January 2000 the Company held a nil value LSE 'B' share. On the market flotation of the The Stock Exchange in June 2000, the Company was issued with 100,000 London Stock Exchange plc shares which had a value at 31 December 2000 of £2,275,000. The directors approved the sale of these shares to a Group company at a value of £2,275,000 on 26 January 2001.

Abbey National Treasury Services plc made a capital injection to the Company on 26 January 2001 of £5,000,000 being the creation of 50 million shares of £0.10 each.

On 30 January 2001, agreement was reached by the Company's parent to sell the Company to a joint venture indirectly owned by The Charles Schwab Corporation and Toronto-Dominion Bank. The purchase price was £59.7 million. The sale was completed on 11 May 2001. The new owner, TDWSCH Holding Company Limited, made a capital injection to the Company on 27 June 2001 of £3,600,000 being the creation of 36 million shares of £0.10 each.

Operating results for the year were negatively impacted by the difficult retail market conditions that existed throughout the year. In addition, various costs associated with the sale of the Company and the subsequent build-out of a London office also impacted the level of operating profits in the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

	<u>Appointed</u>	<u>Resigned</u>
G R Pottinger (Chairman), A C McSporran (Managing Director) G W Cossey	-	11 May 2001
B Masrani (Co Chairman)	10 May 2001	2 November 2001
L Gorman (Co Chairman)	10 May 2001	2 November 2001
J Gardner	10 May 2001	2 November 2001
K Dowd	10 May 2001	2 November 2001
J Leonard	10 May 2001	2 November 2001
J Barra	10 May 2001	2 November 2001
R A Bays (Chairman)	2 November 2001	-
J D H Duvar	2 November 2001	-

In accordance with the Articles of Association, the directors are not subject to retirement by rotation.

None of the directors had a beneficial interest in the shares of the Company at the year end. There were no share options of the Company outstanding at the year end.

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditor's Report set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 14


- The Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; and
- That all accounting standards which they consider to be applicable have been followed; and
- That the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keep accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

During the year Deloitte & Touche resigned as auditors of the Company. PricewaterhouseCoopers were then appointed the new auditors. This change in auditors was due to the change in ownership of the Company during the year.

By order of the Board of Directors and signed on behalf of the Board


Secretary

25 March 2002

AITKEN CAMPBELL & COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AITKEN CAMPBELL & COMPANY LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with the applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

25 March 2002

AITKEN CAMPBELL & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2001

	Note	2001 £000	2000 £000
Net dealing profit		5,155	8,909
Operating expenses		(5,516)	(3,227)
OPERATING (LOSS)/PROFIT		(361)	5,682
Profit on sale of investment	8	2,275	-
Interest payable	3	(661)	1,520
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,253	4,162
Tax recovery/(charge) on profit on ordinary activities	6	307	(1,116)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	1,560	3,046
Dividends paid		(8,378)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(6,818)	3,046

There are no recognised gains or losses in the year other than those passing through the profit and loss account.

There is no difference between the results as stated above and the results on a historic cost basis and therefore no note on the historic cost profit and loss for the year is shown.

All of the above amounts relate to continuing operations.

The notes on pages 7 to 14 form an integral part of these financial statements.


AITKEN CAMPBELL & COMPANY LIMITED

BALANCE SHEET 31 December 2001

	Note	2001 £000	2000 £000
FIXED ASSETS			
Tangible fixed assets	7	792	474
Investments	8	298	-
		<u>1,090</u>	<u>474</u>
CURRENT ASSETS			
Long positions in securities		867	743
Debtors	10	77,538	89,211
Cash at bank	11	2,312	16,786
		<u>80,717</u>	<u>106,740</u>
CURRENT LIABILITIES			
Short positions in securities		(1,026)	(350)
Creditors: amounts falling due within one year	12	(72,032)	(99,897)
		<u>7,659</u>	<u>6,493</u>
NET CURRENT ASSETS			
		<u>8,749</u>	<u>6,967</u>
TOTAL NET ASSETS			
		<u>8,749</u>	<u>6,967</u>
CAPITAL AND RESERVES			
Called up share capital	13	8,718	118
Share premium account		1,046	1,046
Profit and loss account	14	(1,015)	5,803
		<u>8,749</u>	<u>6,967</u>
EQUITY SHAREHOLDERS' FUNDS			
	15	<u>8,749</u>	<u>6,967</u>

A statement of movement in shareholders' funds is given in note 15. The notes on pages 7 to 14 form an integral part of these financial statements. The financial statements on pages 5 to 14 were approved by the Board of Directors on 25 March 2002.

Signed on behalf of the Board of Directors


Director


Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards of the Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis of accounting, modified for the revaluation of long and short positions in securities as noted below.

In order to present a true and fair view of the state of affairs and the results of the Company, the directors believe that the following departures from the accounting and disclosure requirements of the Companies Act 1985 are appropriate to reflect the special nature of the securities dealing business:

- (i) turnover and cost of sales do not have any meaningful equivalents in a securities dealing business and are not therefore disclosed in the profit and loss account. Net dealing profit is disclosed on the face of the profit and loss account;
- (ii) net dealing profit includes the net profit arising from both buying and selling securities and positions held in securities;
- (iii) interest and dividends arising on long and short positions in securities form part of the net dealing profit and, because they are reflected in the valuation of these positions, are not therefore identified separately; and
- (iv) interest arising from stock borrowing forms part of the net dealing profit.

Long and short positions in securities

The terms "long" and "short" represent the aggregate of trading positions in individual securities arising respectively from a net bought and net sold position. Long and short positions in non FTSE 100 securities are valued at the London Stock Exchange's quoted best bid and offer prices respectively at the close of business on the balance sheet date. As described above, securities are included in the financial statements at valuation in order to show a true and fair view. It is not possible to quantify the effect of this policy as records of historical cost are not maintained.

Stock borrowing

The cash collateral given on stock borrowing transactions is reflected in debtors.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost, less estimated residual values, over the useful economic lives of the assets concerned. Computer development and software costs are charged immediately to the profit and loss account.

Depreciation is provided on a straight line basis over the following asset lives:

	Years
Office equipment and fittings	8
Computer hardware equipment	5

Investments

Fixed Assets Investments are recognised at cost less any provision for impairment.

Adoption of new accounting standards

There have been no significant changes in accounting policies following the adoption in 2001 of Financial Reporting Standard 18 'Accounting Policies'.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

Cash flow statement

The Company's ultimate holding company has adopted the provisions of Financial Reporting Standard 1 (FRS1) Revised 1996, Cash Flow Statements. Accordingly, the Company has elected to utilise the exemption provided in FRS1 not to produce a cash flow statement.

Deferred taxation

Deferred taxation is provided using the liability method on timing differences between the accounting and tax treatment of income and expense where it is considered probable that a liability to tax will crystallise. The provision is calculated using the rates expected to be applicable when the liability crystallises.

Bad Debt Provision

Specific provisions are made when it is considered that recovery is doubtful. The specific provisions are netted against trade debtors. Provisions made during the year, less amounts released and recoveries of amounts written off in previous years, are charged to the profit and loss account.

Client's money

Client money held by the Company on behalf of clients in accordance with the Client Money Rule of the Financial Services Authority is included in cash at bank and the corresponding liability to clients is included under Creditors within the balance sheet of the Company. The Company discontinued private client stockbroking during the year and no longer holds client money.

Related parties

The Company has taken advantage of the exemption under the provisions of Financial Reporting Standard 8 (FRS 8) Related Party Disclosures, not to disclose transactions with other group companies since the Company is a wholly owned subsidiary of TDWSCH Holding Company Limited, the consolidated financial statements of which are publically available. During the period there have been no transactions with related parties other than group companies or directors as disclosed in note 4.

Pensions

Retirement benefits are provided by a money purchase pension scheme which is funded by contributions from the Company and employees. The Company's share of these contributions is charged against the results of the year in which it becomes payable. During the year the final salary scheme operated by Abbey National plc. was discontinued for the company's employees.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following amounts:

	2001	2000
	£000	£000
Staff costs	2,764	1,758
Auditors' remuneration		
For audit services	20	19
Non audit services	48	7
Depreciation	163	118
Rental costs	206	55

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

3. INTEREST PAYABLE

	2001	2000
	£000	£000
Interest payable on loans repayable within 5 years		
Banks	9	-
Abbey National Life plc	599	1,520
Interest payable to group companies	53	-
	<u>661</u>	<u>1,520</u>

4. DIRECTORS' EMOLUMENTS

	2001	2000
	£	£
Aggregate emoluments	341,014	225,102
Company pensions contributions to schemes	<u>14,645</u>	<u>12,822</u>
	<u>355,659</u>	<u>237,924</u>

Highest paid director

	2001	2000
	£	£
Aggregate emoluments	218,191	205,102
Company pension contributions to money purchase pension schemes	<u>14,645</u>	<u>12,822</u>
	<u>232,836</u>	<u>217,924</u>

Pension contributions related to 1 director (2000: 1 director).

G R Pottinger was also a director of Abbey National Life plc, the former parent company, and was paid by that company. No allocation for his remuneration was made to the Company.

B Masrani, K Dowd and J Barra are employees of TD Waterhouse Group Inc. The group does not have a basis for allocating their remuneration between group companies

L Gorman, J Gardner and J Leonard are employees of The Charles Schwab Corporation group. The group does not have a basis for allocating their remuneration between group companies

Related party transactions

Directors are permitted to effect transactions in securities through the Company. Such transactions are at arms length. The total amount of commission paid by the directors for such transactions undertaken in the year was £ 681 (2000: £983).

AITKEN CAMPBELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2001

5. EMPLOYEE INFORMATION

The average monthly number of persons (including all directors) employed by the Company during the year was:

	2001 No	2000 No
Dealing and sales staff	20	21
Settlement and administration staff	30	19
	<u>50</u>	<u>40</u>

Staff costs, including directors' emoluments, for the above staff were:

	2001 £000	2000 £000
Paid by Aitken Campbell & Company Limited		
Wages and salaries	2,491	1,516
Social security costs	176	151
Other pension costs	97	91
	<u>2,764</u>	<u>1,758</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
United Kingdom corporation tax at 30% (2000: 30%)		
Current period recovery/(charge)	307	(1,288)
Prior year credit	-	172
Total tax recovery/(charge)	<u>307</u>	<u>(1,116)</u>

No provision has been made for deferred taxation at 31 December 2001 and 2000. There are no significant amounts of potential deferred taxation (2000: £nil).

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

7. TANGIBLE FIXED ASSETS

	Office equipment £000	Computer equipment £000	Total £000
Cost			
At 1 January 2001	321	628	949
Additions	104	377	481
	<hr/>	<hr/>	<hr/>
At 31 December 2001	425	1,005	1,430
	<hr/>	<hr/>	<hr/>
Accumulated Depreciation			
At 1 January 2001	94	381	475
Charge for year	44	119	163
	<hr/>	<hr/>	<hr/>
At 31 December 2001	138	500	638
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2001	287	505	792
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2000	227	247	474
	<hr/>	<hr/>	<hr/>

8. FIXED ASSET INVESTMENTS

During the year the Company acquired 200,000 London Clearing House plc shares which are carried at cost (£297,619). The Company does not intend to dispose of this investment. The market value at 31 December 2001 is estimated at £ 297,619.

As a member firm of The London Stock Exchange at 1 January 2000 the Company held a nil value LSE 'B' share. On the market flotation of the The Stock Exchange in June 2000, the Company was issued with 100,000 London Stock Exchange plc shares which had a value at 31 December 2000 of £2,275,000. The directors approved the sale of these shares to a Group company at a value of £2,275,000 on 26 January 2001.

9. INVESTMENTS IN SUBSIDIARIES

The Company has the following wholly owned subsidiary undertaking which is incorporated in Great Britain and registered in Scotland:

A.C. (Nominees) Limited (a nominee company).

Under Section 228 of the Companies Act 1985 group accounts are not required, the Company being a wholly owned subsidiary undertaking of another body corporate.

In the opinion of the directors, the value of the Company's investment in its subsidiary undertaking is not less than the amount at which this is included in the balance sheet of £2 (2000: £2).

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

10. DEBTORS

	2001	2000
	£000	£000
Amounts falling due within one year		
Trade debtors	69,869	75,622
Deposits with money brokers against stock borrowed	7,134	13,287
Prepayments and other debtors	177	302
Corporation tax	358	-
	<u>77,538</u>	<u>89,211</u>

Trade debtors include £38,526,000 due from group undertakings which relates to trades pending settlement (2000: £443,000). Deposits with money brokers against stock borrowed include nil held by a group undertaking (2000: £7,121,000).

11. CASH AT BANK

Included within cash at bank are client money bank balances amounting to £nil (2000: £63,858).

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£000	£000
Bank overdraft	68	16,645
Trade creditors	52,350	63,830
Amounts owed to other group companies	17,400	16,700
Taxation payable	-	909
Other taxation and social security costs	-	72
Accruals	2,214	1,741
	<u>72,032</u>	<u>99,897</u>

Trade creditors include £26,637,000 due to group undertakings which relates to trades pending settlement (2000: £ 444,000). Accruals include £488,000 due to group undertakings in the course of the Company's trading operations (2000: £nil).

Bank borrowings are secured on securities owned by the Company. Amounts owed to other group companies represent a £17,399,615 loan received from The Toronto-Dominion Bank which is repayable on January 2, 2002 and during the year was subject to interest at LIBOR plus 75bps.

AITKEN CAMPBELL & COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2001

13. SHARE CAPITAL

	2001 £000	2000 £000
Authorised, allotted, called up and fully paid		
87,175,000 ordinary shares of 10p each	8,718	118

During the period the authorised share capital was increased to 87,175,000 ordinary shares of 10p each. On 26 January 2001, 50,000,000 ordinary shares of 10p each were issued for a cash consideration of £5,000,000. This share issue to the previous parent was to fund regulatory capital after a dividend payment.

On 27 June 2001, 36,000,000 ordinary shares of 10p each were issued for a cash consideration of £3,600,000. This share issue was to fund working capital.

14. PROFIT AND LOSS ACCOUNT

	2001 £000	2000 £000
1 January	5,803	2,757
Retained (loss)/profit for the financial year	(6,818)	3,046
31 December	(1,015)	5,803

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £000	2000 £000
Profit for the financial year	1,560	3,046
Dividends	(8,378)	-
Net proceeds of issue of ordinary share capital	8,600	-
Opening shareholders' funds	6,967	3,921
Closing shareholders' funds	8,749	6,967

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

16. PENSION COMMITMENTS

Prior to the 11 May 2001 sale of the company, the executive directors and eligible employees were members of the Cater Allen Limited group money purchase scheme and the Abbey National Group Pension Scheme, a final salary scheme. The defined benefits scheme covered the Abbey National Group and annual contributions were based on actuarial advice. The expected cost of providing pension was recognised on a systematic basis over the expected average remaining service lives of members of the scheme.

After 11 May 2001 the Company discontinued its participation in the schemes of Cater Allen and Abbey National Groups. Executive directors and eligible employees were offered one of three choices:

- remain in the prior arrangements, without any further contributions or participation of the Company
- accept a lump sum cash settlement for transfer into the Company's new money purchase scheme
- accept a lump sum cash settlement for transfer into pension arrangements of the employees choice

The Company now operates a money purchase pension scheme. The new plan pension cost charge for the period was £65,000.

17. CONTINGENT LIABILITIES

In the ordinary course of business the Company has given letters of indemnity in respect of lost certified stock transfer and share certificates. The contingent liability arising therefore cannot be quantified.

The Royal Bank of Scotland hold a letter of pledge by the Company in respect of allotment letters given as temporary collateral.

18. ULTIMATE PARENT AND CONTROLLING PARTY

At 31 December 2001, the Company's parent company and controlling party was TDWSCH Holding Company Limited, a company incorporated in Great Britain and registered in England and Wales. The company is ultimately 50% owned by each of The Charles Schwab Corporation and The Toronto-Dominion Bank. The Charles Schwab Corporation consolidated financial results can be obtained from the Senior Vice President, Investor Relations, The Charles Schwab Corporation, 101 Montgomery Street, San Francisco, CA, USA, 94104. The Toronto-Dominion Bank consolidated financial results can be obtained from Corporate and Public Affairs, The Toronto-Dominion Bank, P.O. Box 1, Toronto Dominion Centre, King St. West and Bay St., Toronto, Ontario, Canada, M5K 1A2.